



2nd June 2023

Kevin Hollinrake MP
Parliamentary Under Secretary of State
Department of Business and Trade
Old Admiralty Building, Admiralty Place
LONDON
SW1A 2DY

Dear Minister

Final report by Amanda Burton - Clarification to Post Office Annual Report and Accounts 2021-22

Thank you for your letter (31st May) with your comments on the draft report prepared by Amanda Burton.

You express your significant concern that the specific metric to support for the Inquiry was marked as achieved and that bonus payments were made to senior staff at a time when Horizon affected postmasters are still to receive full compensation. I emphasise my apology to you on behalf of Post Office, as we have directly to Sir Wyn Williams, for the error made in declaring this inappropriate metric achieved as part of the Transformation Incentive Scheme. These mistakes, although inexcusable, were made by the Remco with the belief that the Transformation Incentive Scheme as a whole was appropriate to prioritise the much needed transformation of Post Office.

You ask for further clarification on two specific issues notably: how the Remco determined that the relevant criteria had been met; and why the incorrect statement was included in the Annual Report 2021-22. Both of these issues are addressed in the final report by Amanda which is attached.

On the first issue, Amanda concludes that the terms of discretion were explained to the Permanent Secretary but the determination by Remco was not discussed with the Permanent Secretary as the Committee considered that they had discretion. The Board discussed in January 2022 the progress being made in delivering everything that the Inquiry had asked for and relied on a report prepared by Herbert Smith Freehills (HSF) and the in-house Post Office legal team that gave an update on recent developments in the Inquiry programme. We are seeking clarification about the status of this potentially confidential report from the Horizon IT Inquiry, which we would like to share with you not least given the public interest in disclosing it, but are unable yet to do so in the timescale required for publication of Amanda's report.

Amanda comments in her report that the first sub-metric was not achieved as by then the Inquiry had not completed, nor had the feedback from Sir Wyn (quite rightly) been sought. However, Remco exercised discretion, bearing in mind that the sub-metric was, and could not, have been achieved because the Inquiry timetable had been extended. Throughout the Remco sought advice and affirmation from the firm's remuneration consultants and internal auditors, noting the report by lawyers, and on that basis was pleased with progress, which is why they rated the overall metric as achieved. Amanda concludes that it would have been better to minute the depth of discussion and for the rationale to be explained in the Directors' Remuneration Report.

On the second issue, Amanda has provided further detail as to the process for signing off the Annual Report and Accounts, including the Directors' Remuneration Report. She states that these were shared with UKGI officials to comment on them, with emails received from them on 8th July, 25th July and 5th August 2022. A near final version was seen by the Audit and Risk Committee in July and a sub-committee was appointed to finalise the drafting. The final draft was presented to the Board for approval on 12th August and was published with the date of 17th August 2022.

Throughout these processes of approval, and as I said to you at our meeting on Monday 22nd May, I remain baffled as to how the inappropriate sub-metric, and the error in how it was described as achieved, was included in the published Annual Report and Accounts. As the newly appointed Chair of Post Office I will ensure further rigour is applied to Remco and Board processes to help avoid any similar such mistake in the future. In the final analysis, I accept that what is included in the published Annual Report and Accounts, no matter how many individuals and advisers are involved, is the responsibility of the Chair of the Board.

Amanda has also incorporated comments from your officials in her final report. You asked that she would address the concerns of Tom Cooper, as expressed to you, as well as share and address comments with others named in her report. Amanda has shared two drafts with Tom Cooper and has carefully reviewed his comments and made some changes where she felt this was appropriate having revisited the data. She has also sent the report to those named and reviewed comments received so far.

Subsequent to Amanda's final report, I am seeking further legal advice about the opportunity for mandatory clawback of the sub-metric payment by recipients and will keep you informed.

I affirm my support for the conclusions and recommendations made by Amanda in her final report, including re-engaging with the shareholder at the macro level, as that will drive better decision making at the micro level.

I also confirm, as set out in my letter to you on Friday 26th May that inter alia Post Office is taking the following actions:

Amanda was appointed Chair of the Remuneration Committee with immediate effect as Lisa Harrington left the Board on Thursday 1st June. Tom Cooper has already left the Board.

The Remco will review the terms of the 2022/23 Short Term Incentive Plan when it meets later in June and Amanda will be recommending that Remco exercises its discretion not to award the element of bonus specifically relating to the Inquiry. I endorse fully this recommendation. Any variable pay schemes going forward will also not include any metrics relating to the Inquiry.

Executive Board members who benefitted from the specific Transformation Incentive sub-metric have voluntarily repaid it as have all the current members of the Group Executive. Other recipients of the Transformation Incentive are also being offered a way to voluntarily repay the specific sub-metric.

I offer you my full support in considering any further changes that may be needed in how the Remuneration Committee operates and how its recommendations are approved by the Board and the shareholder. This could be considered as part of the separate review you have commissioned about the governance of remuneration at Post Office.

I understand that you intend to publish the report at the earliest opportunity from Friday 2nd June.

I remain determined that every part of the business not only supports all aspects of the Horizon IT Inquiry but also retains its focus to transform the business, its culture and its operations, to help Postmasters thrive as they serve their customers and their communities across the UK.

Yours sincerely

The signature of Henry Staunton is represented by the letters 'GRO' in a large, bold, black, sans-serif font, enclosed within a dashed rectangular border.

Henry Staunton
Chairman, Post Office Limited